

**FACTORS AFFECTING THE DEMAND OF  
MALAYSIAN PALM OIL**

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## **ABSTRACT**

Palm oil is one of the agricultural products in Malaysia that provide a lot of potential in the economic growth. Malaysia had been one of the major producer and exporter of palm oil. The demand of palm oil had increase by time. The volatility in palm oil prices is a significant risk to producers, traders, consumers and others involved in the production and marketing of palm oil. Malaysia's palm oil industry also is not only free of subsidy but pays a substantial direct income to the State through numerous taxes, fees and levy payments. This research studies on factors affecting the demand of Malaysian palm oil. Palm oil in Malaysia faced many problems. The main objective of this study is to determine the factors that influenced the demand of Malaysian palm oil.

In order to conduct this study, secondary data (time series) was used. The factors that affect the demand of Malaysian palm oil were highlighted and all of the variables were examined by using the Ordinary Least Square method (OLS), and Multiple Regression model (MR). Factors such as palm oil prices, population, economic growth and soybean oil prices had been identified. The result showed that three of the independent variables are significant. The factors are palm oil prices, population and soybean oil prices.

## **CHAPTER ONE: INTRODUCTION**

### **1.0 Introduction**

The title of the study is “Factors affecting the demand of Malaysian palm oil”. The main objective of the study is to determine the factors that will influence the demand of Malaysian palm oil. As one of the 17 major oils traded in the global edible oils and fats market, palm oil is found in one out of ten food products worldwide. Its sibling oil, palm kernel oil, is extensively used in the oleochemical industry, which produces chemical feedstock for non-edible products such as cosmetics, toiletries, industrial cleaning agents and candles.

As one of world's largest producers and exporters of palm oil and its product, the Malaysian oil palm industry is the pride of the country. Over the past 50 years, the industry has grown by leaps and bounds to feed millions of people worldwide, provide political and economic stability to the nation and enhance social development. The industry of palm oil in Malaysia is well-developed. Currently, the sector is under the Ministry of Plantation Industries and Commodities, under which two agencies are responsible for its progress and promotion – the Malaysian Palm Oil Board (MPOB) and the Malaysian Palm Oil Council (MPOC). These agencies undertake research and development (R&D) efforts, promotion and marketing, regulatory and enforcement functions as well as provides economic and technical advisory services.

Through its long, colorful and historic journey, the Malaysian palm oil industry will continue to prosper while continuing to assume a significant role in the country. The good demand for the oil as well as new opportunities in the form of biodiesel as an alternative fuel will ensure that the journey forward will be equally exciting.